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C O N F I D E N T I A L SECTION 01 OF 03 RANGOON 000220

SIPDIS

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TAGS: [EFIN](#) [ECON](#) [SNAR](#) [PGOV](#) [BM](#)

SUBJECT: GAMBLING IN BURMA: ILLEGAL, BUT INEVITABLE  
(C-TN4-01119)

REF: A. 04 STATE 255493

[B](#). 04 RANGOON 631 AND PREVIOUS

[C](#). 04 RANGOON 165

[D](#). 03 RANGOON 859

Classified By: COM CARMEN MARTINEZ FOR REASONS 1.4 (B,D)

[1](#). (C) Summary: This cable is in response to tasking in ref [A](#). Gambling has been illegal in Burma for 106 years; however, it occurs with impunity across the country. Most of the gambling is surreptitious -- illegal lotteries in particular -- though some is in garish casinos on the Thai and Chinese borders. We know of no specific allegations of money laundering in the gambling industry, and Burma's 2002 money laundering law does not include gambling as a predicate offense. However, the size of the illegal industry and the prevalence of money laundering in Burma's economy at large leads us to assume money laundering -- by locals and foreign criminals -- must be occurring. Despite this, we see no movement by the GOB to address the illegal gambling problem in Burma so long as it remains relatively covert and a cash cow for corrupt authorities. End summary.

Gambling Law is Sound, Enforcement Not

[2](#). (U) Gambling has been outlawed in Burma since 1899. The Gambling Law of 1986, which replaced the 1899 colonial statute, defines gambling as: "any game of chance, or any game of human skill for money or for things of value..." It makes it a jailable offense to gamble, "abet" or promote gambling, or be present in a place where gambling is occurring. It is even against the law to import playing cards. The law allows authorities to seize all assets and property being used or having "potential use" for gambling. The only exception made to this law is for the 67-year old official lottery, which has drawings on the first of each month.

[3](#). (C) Despite occasional high-profile busts by police, enforcement of the gambling law is very weak. Gambling is widespread in Burma, taking place under the nose of, and often in cahoots with, police authorities. Not surprisingly, illegal gambling is a source and destination for vast quantities of unaccounted cash. As a very large percentage of the Burmese population participates in some sort of gambling, much of this cash is likely from legitimate sources. However, it is also likely that significant amounts of "black" money sloshes through this unregulated industry. This money may come from such traditional sources as illegal narcotics, gem, and teak smuggling, but also from otherwise law-abiding traders who play with invoices in order to comply with the GOB's complex and irrational trade policies. Despite the circumstantial evidence of money laundering in the gambling industry, gambling is not a predicate offense under Burma's 2002 money laundering law.

The Lottery: The Poor Man's Monte Carlo

[4](#). (C) The most common type of illegal gambling in Burma is a sort of lottery; daily betting on the last two digits of the closing Bangkok stock exchange index, and twice-monthly betting on the last three digits of Thailand's official lottery. Though it is impossible to know how many people participate in these lotteries, one estimate we've heard from an organizer is that 70 percent of the adult population plays regularly (perhaps upwards of 17.5 million people). In any event, businesspeople and others with whom we spoke see such gambling as a serious social and economic issue. They say that poor people will spend their last kyats trying to "hit" the numbers, while middle-class participants often neglect their families and businesses to focus on picking the right numbers. A cottage industry of "experts" has arisen to help players strike it rich, and many people seek auspicious numbers from Buddhist monks or other soothsayers.

[5](#). (C) The three-digit lottery (or "Chai") started in 1983, and pays out at 550 to 1 for those who pick exactly the last three numbers of the twice-monthly six-digit winning Thai lottery number. The two-digit lottery (or "Hnalone Hti") is more recent, and by far the most popular form of illegal

betting in Burma because there is daily weekday action. This lottery pays out 75 to 1 for those who correctly choose the last two digits from the Bangkok stock exchange's SET Index. All across Burma, at around 4:30 pm daily, satellite TVs are tuned to Thailand's iTV channel to see the "winning" numbers.

16. (C) The volume of betting for the two illegal lotteries is significant. There is no minimum or maximum bet, and people are known to lose their cars or homes to bookies. The organization of these lotteries is quite shadowy. Branch organizers, who get commissions of 5-15 percent, take bets and make payoffs on behalf of main dealers. No one with whom we spoke could (or would) hazard a guess about the identity of these central brokers. Before the fall of former Prime Minister, and military intelligence chief, General Khin Nyunt in October 2004, we assumed that MI had a very active role. With MI's fall from grace, it is unclear who has taken over its gambling activities. In any event the lotteries continue unabated. One lottery branch organizer said that he has no difficulties running his operations in Rangoon so long as he pays his 50,000 to 60,000 kyat (about \$55-\$65, or about a year's wage for the average patrolman) monthly bribes to local police.

Casinos: Your Renminbi's Good Here

17. (C) Despite its prevalence, illegal gambling in Burma tends to be covert. Though there may be surreptitious gaming rooms run out of homes or offices, there are few (if any) overt casinos operating in urban areas under the firm control of the regime. There are major exceptions however. Two casinos, the Andaman Club hotel and casino (where all players must buy at least \$6,000 in chips) and Treasure Island resort, operate on an island off of Kawthaung, Tanintharyi Division in Burma's southeast. The hotels, owned by Thais, are in Burma but are given special immigration status. Visitors fly into Ranong (in Thailand) and are conveyed to the island by hotel boats. Only if the guests wish to visit the mainland do they need a Burmese visa. Similar Thai-owned casino/hotels operate on the Burmese side of the "Golden Triangle" near Tachileik, Shan State -- one on a Mekong River sandbar just inside Burma. Like for visitors to the casinos in Tanintharyi, gamblers in Shan State are given special immigration arrangements and are bussed directly from airports in Thailand.

18. (C) The most blatant violations of Burma's gambling law, however, occur in some of the Chinese border regions of Shan State. This is particularly the case in the semi-autonomous "Special Regions" of the Wa, Kokang, and other ethnic Chinese Burmese groups. We have seen ourselves the Las Vegas-like neon and garishness of vast hotel/casinos in Mongla (the capital of Special Region #4) and Laukkai (the capital of Special Region #1; ref C). There is no attempt to hide the nefarious activities within these buildings, though some require membership for entry. These towns, quite remote from the Burman heartland, operate as "sin cities" for visiting Chinese tourists and businessmen. All bets are in yuan, the languages spoken are Chinese dialects, and seemingly all staff (from croupiers and waiters to prostitutes) and customers are imported from China. They use China's telecom and electricity services, and even keep clocks on Chinese, not Burmese, time.

19. (C) The areas hosting these casinos are notorious for drug trafficking, and Burmese black money is omnipresent. Oddly, though, according to a UN official who spends significant time in Mongla, the largest casino hotels in that town were built with foreign money. In particular he mentioned one casino built several years ago as an Australian-Burmese joint venture and one new casino constructed by a Macao business.

110. (C) How can this happen? The answer is corruption and the GOB's limited writ in the Special Regions. A Ministry of Home Affairs official told us that the Attorney General's office initially rejected investment proposals that mentioned gambling, but approved revised applications for hotels. The fact that the gambling goes on regardless, the official complained, is due in large part to side agreements cut later with respective regional military commanders -- with acceptance from the SPDC top leadership he assured us. So long as the regional commander and his Rangoon overlords approve of the illegal activity, there is nothing that the police can do. The situation is more complex in the Special Regions, the official said, because these areas have significant autonomy for law and order issues. Indeed, Mongla is patrolled not by the Burmese army or police force but by a James Bondian private police force funded by regional leader and drug trafficker Lin Ming Xian (aka Sai Lin). However, Chinese and Burmese authorities have shown that they can at least temporarily shut down casino operations in these regions if violent crimes occur or when there are large VIP delegations visiting. Whether the authorities force these shutdowns, or have to beg the ethnic leaders for them, is unknown.

Comment: Money Laundering? There Must Be.

11. (C) We know of no investigation of money laundering associated with Burmese gambling. However, with money laundering so prevalent in the Burmese economy, and law enforcement so weak (ref B), it almost certainly is occurring in the large and illegal gambling industry. This laundering benefits local smugglers. However, in the vast border zone casinos it may also be benefiting foreign criminals. These casinos are under Burmese jurisdiction, but operate as if they were in the neighboring country -- using the currency of the neighboring country, and having better transport and communication connections to China and Thailand than to Rangoon.

12. (C) (Comment, cont.) The SPDC leadership apparently has no qualms about allowing these blatant violations of Burmese law, so long as they and theirs get a cut, and the "moral turpitude" is limited to foreigners. Indeed few Burmese gamble in these casinos -- or, in some cases, are even allowed to travel to the locations. As for the more democratic illegal lotteries, we can only assume that (like the illegal but flourishing hundi network of financial transactions; ref D) senior officials allow them to continue because they and their families are tremendous consumers, and because they are very lucrative for people close to them.

End comment.

Martinez